HESS MART

# Store Bulletin

TO: Hess Mart Managers

MEMO: CVI/001/97

FROM: C. V. ISZARD

DATE: 5/6/97

SUBJECT: **CIGARETTE DISPLAY COMPLIANCE**

This review is provided so that you can determine your compliance and eliminate the possibility of being in non-compliance with the Philip Morris, R. J. Reynolds, Brown & Williamson, and Lorillard agreements.

All displays must be placed in accordance with your location's authorized schematic. **NOTE**: Many of the agreed upon fixture sizes may be different from what you actually have in your location. The fixtures listed below are the minimum size required to comply with Retail Masters. **It is your responsibility to see that you are in compliance with your schematic and the compliance percentages at all times.**

All locations should already be in full compliance. (The only changes in 1997 are for the locations that receive a Newport Rack.) If you cannot comply with one of the contracts, you must contact K. Strype to discuss the compliance issues.

Exhibit A will help you to determine the number of facings for each manufacturer. In summary:

- Philip Morris products must have at least **53.8%** of the Full Price facings **if a Newport Fixture is present** **-or-** at least **58%** of the Full Price facings **if there is no Newport Fixture.**
- Philip Morris must have **50%** of the Low Price facings.
- RJR must have a minimum of 32 total facings to comply with the Partners program.

If you have any questions concerning compliance, please call Kathy Strype at X6158.

cc: H. Small — Region Managers
R. Lawlor — Division Managers
B. Doyle — Marketing Representatives
K. Strype

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Source: https://www.industrydocuments.ucsf.edu/docs/rqky0000

**1997 Cigarette Strategy** - The Hess strategy is to be as competitive in the market as possible, driving volume without sacrificing total margin dollars.

**1997 Guidelines & Policies:**

Why does Hess Corporate develop Guidelines, Policies, and Layouts for cigarette signage and display placement?

The standard schematic is co-authored by the 4 major cigarette companies and Hess, in an effort to maximize the sales and profit potential for your location and Hess. Each cigarette manufacturer pays Hess a lot of money to secure a permanent location for their display, based on visibility and location (self service or non-self service). This is the most important merchandising tool the cigarette company has to communicate to the customer and is always mandatory for their program. Once the display position is secured, Hess receives promotional support, (i.e., Buy 2 Get 1 Free, value-added product like lighters, and price reduction funding).

In summary, you can imagine the effort expended to get four manufacturers to agree on display placement, and why they "check up" on us to make sure they are getting what was agreed to. All schematics should be strictly adhered to unless a customized schematic has been approved by the cigarette category manager.

The schematic you have should always be available for review with a cigarette representative to defend your approved cigarette layout. This will eliminate any possibilities of being in non-compliance.

During the week of May 12, all Hess Marts will receive a new Philip Morris O.P.B. display (2 shelves high, 9 wide). This will replace your existing O.P.B. displays and is mandatory. Approximately 60 locations will receive a new Marlboro fixture (3 shelves high, 8 wide) and a Newport fixture. If you receive these fixtures, you must reset your store to the new schematic which is being sent to you under a separate cover.

In the event that your schematic cannot be implemented due to space constraints, please complete the following:

1) Update your store schematic with the recommended display placement.
2) Update the display placement schematic (Exhibit B) showing each company's facings by display.
3) After both sheets are filled out, please send them directly to K. Strype for review and discussion.

**If a new schematic is proposed, a final, approved schematic will be returned for your records.**



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**Signage Policies** - The 1997 signage policy is designed to eliminate the possibility of "signage clutter" and we will utilize the Marlboro Image to communicate that we are in the cigarette business.

**Permanent Signage & Fixtures** - (Neon signs, Swing Signs, Butt Cans etc.,) Each location is allowed to have one Philip Morris Neon Sign (based on Division Manager approval) and a Counter Balance Sign (Swing Sign), where allowed by the local ordinances. All new orders should be for the small Marlboro counter balance sign with a pricing kit. Hess will be standardizing with the small counter balance sign so that overlays can be produced for promotional events. Cigarette butt cans should always be the Philip Morris "Basic" can. All other permanent signage must be reviewed and approved by the cigarette category manager.

**Temporary Signage** - (Signage that is up for less than 31 days) Contractually, Hess is not limited by the amount of temporary signage utilized. However, we would like the following image guidelines adhered to: 1) No hand-written signs, 2) All nationally coordinated signage is placed in the #1 position. We are looking for a very clean look that communicates our every day pricing and that our promotional values are highlighted.

**Local Promotions** - Hess managers are allowed to approve and sign for value-added promotions (i.e., Buy 2 get 1 free; Buy 2 get a free lighter; and displays for couponed products, etc.), and are encouraged to receive them in order to compete fairly and to grow the business.

The only locally offered promotions that require additional steps, including accounting issues, are when buy downs are included. Division managers and the cigarette category manager will coordinate buy downs for the complete marketing area and they will not conflict with any nationally coordinated promotions. In the event that a local buy down is presented, it should be based on the following principles: 1) The buy down should be based on a time period, not existing inventory, 2) Headquarters has to have the ability to track the promotion and bill the cigarette company, 3) No checks should be issued to the field, and 4) The division manager and cigarette category manager must approve the buy down.

**Pack Displays** - All pack displays should be positioned based on the schematic. Unless a schematic change has been approved by headquarters, there should be no changes implemented. **Under no circumstances** is a local cigarette representative allowed to reposition the displays (always refer to this memo if a situation arises) . A Hess manager is always allowed to request changes, and if the changes comply with all cigarette contracts, it will be approved.

The pack displays should always be filled with the brands that the local cigarette representative has requested (usually the best sellers). In most cases, each display will be stickered with the correct brands.

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**Carton Fixtures** - Currently our carton fixtures are not plan-o-grammed. However, Philip Morris must occupy 50% of the fixture, including the top 2 shelves of all fixtures and contiguously thereafter. Contractually, Lorillard is the only manufacturer that still pays for carton space. Thus, the third shelf on the carton fixture should always have Lorillard product. (Payments are up to $50 a month). If Philip Morris issues a warning to you about not being in compliance on the carton fixtures, please notify me immediately.

**Retail Price Changes -** Retail prices are determined based on competitive surveys and sound business decisions. Retail price changes are generated two ways:

1) By the Hess manager, based on local market competitive threats or pressures.
2) By the quarterly competitive survey that is mailed into headquarters.

In the case of option One, the manager should perform a competitive survey to determine if the current retail price is not in sync with the market. If a price change is required, the manager should obtain the division manager's approval and forward the request to the cigarette category manager.

All price changes must be approved by the division manager and cigarette category manager. The purpose of the approval process is to review the change for merit. The approved changes are then communicated to accounting and the wholesale distributor to ensure that the invoices have the correct retail prices.

If you ever have any questions, please give me a call at (908) 750-6144.

Thank you for all your efforts !!!

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